

CITIZENS MEDICAL CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
MARCH 31, 2009, 2008, AND 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 10/21/09



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

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**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

This section of the annual financial report for Hospital Service District No. 1 of Caldwell Parish, State of Louisiana d/b/a Citizens Medical Center (the "Medical Center") provides background information and management's analysis of the Medical Center's financial performance for the fiscal years that ended March 31, 2009, 2008, and 2007. Please read it in conjunction with the financial statements beginning on page 3 and notes to the financial statements beginning on page 7 in this report.

Financial Highlights

- ❖ The Medical Center's total assets increased by \$1,765,000 and \$917,000, during fiscal years 2009 and 2008, respectively. In comparison total assets increased for fiscal year 2007 by \$2,069,000.
- ❖ In fiscal year 2009 \$675,000 was invested in a certificate of deposit. In fiscal year 2008, \$800,000 was vested in a certificate of deposit. In 2007, \$750,000 was invested in a certificate of deposit.
- ❖ During fiscal year 2009, the Medical Center's net patient service revenue increased \$2,660,000 from fiscal year 2008. During fiscal year 2008 net patient service revenue decreased \$173,000. During fiscal years 2007 and 2006, the Medical Center experienced increases in net patient service revenue of \$114,000 and \$164,000, respectively.
- ❖ The Medical Center's total expenses increased by \$1,762,000 for fiscal year 2009 due mainly to increases in salaries and the payroll taxes and benefits associated with the salaries.
- ❖ At the beginning of fiscal year 2009 the governing board approved a 5% cost of living increase hospital wide and other adjustments were made to retain employees. The Medical Center's total expenses increased by \$549,000 for fiscal year 2008 due mainly to increases in salaries. Fiscal year 2009 was the first full year of retirement expense for the Medical Center and the expense increased by \$121,000.
- ❖ Supplies and drugs increased by \$276,000 in fiscal year 2009 due to increased patient census at both the hospital and rural health clinic. Professional fees increased \$204,000 in fiscal year 2009. The hospital began providing mobile MRI services in January 2009 and lab medical purchased services increased due to the increase in volume for inpatient and outpatient testing.
- ❖ The Medical Center experienced a gain from operations of \$1,523,000 in fiscal year 2009 compared to previous gains of \$768,000 and \$2,018,000 in fiscal years 2008 and 2007, respectively. During fiscal year 2009 grant income received was \$103,500 of which \$95,000 was for the clinic expansion which was completed during the year. During fiscal years 2008 and 2007 \$142,000 and \$576,000 were received in grants respectively.
- ❖ The Medical Center's sales tax revenue decreased for the second year in a row. Sales tax revenue decreased by \$93,000 in fiscal year 2009 and by \$97,000 in fiscal year 2008 due to a decrease in spending in the parish by consumers. Sales tax revenue increased by \$17,000 in fiscal year 2007 and \$334,000 in fiscal year 2006. Two new stores opened in Columbia in 2006 and highway construction has been taking place throughout Caldwell Parish in 2006 and 2007. Construction was completed in fiscal year 2009 and some local businesses shut down due to the overall decline in the nation's economy.
- ❖ During fiscal year 2009 the Medical Center entered into a capital lease for a lab analyzer. No new leases were entered into in fiscal years 2008 or 2007. In fiscal year 2006 the Medical Center entered into capital leases totaling \$299,000 for a CAT scan, \$239,000 for the PACS system and \$9,000 for a copier. Capital leases were referenced by Note 8 of the financial statements.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Required Financial Statements

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the Medical Center's financial activities on both short-term and long-term basis. The balance sheets present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in net assets present information about the current and prior years' activities in revenues and expenses. This statement also provides useful information for determining whether the Medical Center's patient service revenue and other revenue sources were sufficient to allow the Medical Center to recover all of its costs. The final required financial statement is the statement of cash flows which provides information about the Medical Center's cash from operations, investing, and financing activities. In addition, this statement provides useful information to answer questions such as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Financial Analysis of the Hospital

The balance sheets and the statements of revenue, expenses, and changes in net assets report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and changes in them. Increases or decreases in the Medical Center's net assets are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other non-financial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations, and changes in managed care contracting should also be considered.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Net Assets

A summary of the Medical Center's Balance Sheets are presented in the table below:

**TABLE 1
Condensed Balance Sheets
(In thousands)**

	March 31,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total current assets	\$ 8,222	\$ 5,954	\$ 6,175	\$ 5,746
Capital assets - net	3,492	3,342	3,208	2,903
Other assets, including assets whose use is limited	<u>1,734</u>	<u>2,387</u>	<u>1,383</u>	<u>48</u>
Total Assets	\$ <u>13,448</u>	\$ <u>11,683</u>	\$ <u>10,766</u>	\$ <u>8,697</u>
Total current liabilities	\$ 1,355	\$ 1,356	\$ 1,271	\$ 1,204
Long-term debt	<u>246</u>	<u>218</u>	<u>330</u>	<u>477</u>
Total Liabilities	<u>1,601</u>	<u>1,574</u>	<u>1,601</u>	<u>1,681</u>
Invested in capital assets, net of related debt	3,093	3,012	2,748	2,283
Restricted net assets	65	65	279	-0-
Unrestricted net assets	<u>8,689</u>	<u>7,032</u>	<u>6,138</u>	<u>4,733</u>
Total Liabilities and Net Assets	\$ <u>13,448</u>	\$ <u>11,683</u>	\$ <u>10,766</u>	\$ <u>8,697</u>

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Summary of Revenues, Expenses, and Changes in Net Assets

The following table represents the Medical Center's revenue, expenses, and changes in net assets for the fiscal years ended March 31:

TABLE 2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(In thousands)

	March 31,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net patient service revenue	\$ 9,867	\$ 7,207	\$ 7,380	\$ 7,266
Other revenue, net	<u>1,097</u>	<u>1,240</u>	<u>1,768</u>	<u>1,337</u>
 Total Operating Revenue	 <u>10,964</u>	 <u>8,447</u>	 <u>9,148</u>	 <u>8,603</u>
 Salaries and benefits	 5,291	 4,144	 3,766	 3,738
Other expenses	3,702	3,091	2,963	3,024
Depreciation and amortization	<u>448</u>	<u>444</u>	<u>401</u>	<u>325</u>
 Total Operating Expenses	 <u>9,441</u>	 <u>7,679</u>	 <u>7,130</u>	 <u>7,087</u>
 Operating income (loss)	 1,523	 768	 2,018	 1,516
Nonoperating income	<u>215</u>	<u>177</u>	<u>130</u>	<u>65</u>
 Excess of revenue over expenses	 1,738	 945	 2,148	 1,581
Net assets - beginning of year	<u>10,109</u>	<u>9,164</u>	<u>7,016</u>	<u>5,435</u>
 Net Assets - End of Year	 \$ <u>11,847</u>	 \$ <u>10,109</u>	 \$ <u>9,164</u>	 \$ <u>7,016</u>

Sources of Revenue

Net Patient Service Revenue

During fiscal year 2009, the Medical Center derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or patients with other third-party coverage, who receive care in the Medical Center's facilities. Reimbursement for the Medicare and Medicaid programs and other third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Total net patient service revenue increased by \$2,660,000 or 37% in fiscal year 2009 due to an increase in days of patient care and patient visits at the rural health clinic. In prior fiscal years net patient service revenue decreased by approximately \$173,000 or 2.3% in FY 2008, and increased by \$114,000 or approximately 1.6% in FY 2007.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Net Patient Service Revenue (Continued)

Increases in patient volume, outpatient charges, and revision of charge master are all contributing factors to the increases in revenue. Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended March 31:

**TABLE 3
Payor Mix by Percentage**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Medicare	45%	53%	52%	52%
Medicaid	24%	18%	19%	21%
Commercial insurance	23%	22%	19%	18%
Self-pay	<u>8%</u>	<u>7%</u>	<u>10%</u>	<u>9%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

Other Revenue

Other revenue (Table 4) includes cafeteria sales, rental income, grant income, and other miscellaneous services. Sales tax revenue has decreased over the past two fiscal years due to the overall economy of the area and decreased spending.

**TABLE 4
Other Revenue
(in thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cafeteria sales	\$ 27	\$ 29	\$ 34	\$ 36
Rentals	8	17	29	22
Sales tax	931	1,024	1,121	1,104
Grants	104	142	576	92
Miscellaneous	<u>28</u>	<u>28</u>	<u>9</u>	<u>83</u>
Total	\$ <u>1,098</u>	\$ <u>1,240</u>	\$ <u>1,769</u>	\$ <u>1,337</u>

Grant Income

Grant income consists of grant monies received for the clinic expansion and roof projects, both of which are complete and several other grants received for upgrading communications, medical equipment etc.

Miscellaneous Income

Miscellaneous income consists primarily of amounts received from processing Medicaid applications, clinic HPSA/PCP payments, group purchasing rebates, and claims settlements.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Investment Income

The Medical Center earned \$242,000 in interest income in fiscal year 2009 and \$223,000, and \$169,000 in interest income during fiscal years 2008 and 2007, respectively. The increase is attributable to an additional \$675,000 invested in a certificate of deposit in fiscal year 2009 and \$800,000 and \$750,000 were invested in certificates of deposit for fiscal years 2008 and 2007 respectively.

Operating and Financial Performance

Patient Revenue

Table 5 below depicts Medicare and Medicaid patient revenue for the fiscal years ended March 31:

**TABLE 5
Patient Revenue
(in thousands)**

	Years ended March 31			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Medicare and Medicaid gross patient charges	\$ 11,822	\$ 9,230	\$ 9,322	\$ 9,424
Contractual adjustments	<u>4,819</u>	<u>4,618</u>	<u>4,378</u>	<u>4,163</u>
Net Medicare and Medicaid revenue without Medicaid UCC	\$ <u>7,003</u>	\$ <u>4,612</u>	\$ <u>4,944</u>	\$ <u>5,261</u>
Percent of total gross charges	<u>70%</u>	<u>68%</u>	<u>71%</u>	<u>73%</u>
Percent of total net revenue	<u>71%</u>	<u>64%</u>	<u>67%</u>	<u>72%</u>

The main source of revenue for the Medical Center, gross Medicare and Medicaid patient charges increased \$2,600,000 or approximately 28% in fiscal year 2009 due to the increase in patient days of care and rural health clinic visits. In fiscal years 2008 and 2007 there were decreases of \$92,000 and \$102,000 or around 1% respectively. Fiscal year 2006 patient charges increased \$138,000 or approximately 1.5%. Contractual adjustments for fiscal year 2009 increased \$201,000 and fiscal year 2008 increased \$240,000 while contractual adjustments for fiscal year 2007 increased by \$215,000 due to changes in Medicare and Medicaid payment methodology which had previously resulted in decreased contractual adjustments for fiscal year 2006 of \$4,000.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Medicare and Medicaid Patient Statistics

Table 6 is a comparison of the Medical Center's Medicare and Medicaid admissions, discharges, patient days, and lengths of stay for the fiscal years ended March 31:

**TABLE 6
Medicare and Medicaid Patient Statistics**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Admissions:				
Medicare adult and pediatric	429	365	449	447
Medicaid adult and pediatric	128	104	127	137
Medicare swing bed	7	4	4	11
Discharges:				
Adult and pediatric	699	601	726	757
Medicare (included in A & P)	423	365	448	451
Medicaid (included in A & P)	130	102	125	135
Medicare swing bed	6	4	4	12
Patient days:				
Adult and pediatric	3,383	2,920	3,388	3,414
Medicare (included in A & P)	2,511	2,185	2,633	2,684
Medicaid (included in A & P)	393	251	281	327
Swing bed	179	75	85	293
Medicare average length of stay	<u>5.94</u>	<u>5.99</u>	<u>5.88</u>	<u>5.95</u>
Medicaid average length of stay	<u>3.02</u>	<u>2.46</u>	<u>2.25</u>	<u>2.42</u>

Medicare and Medicaid admissions and discharges increased in fiscal year 2009 after experiencing decreases in the three prior fiscal year ends. Swing bed admissions and discharges for fiscal year 2009 rose slightly over fiscal years 2008 and 2007 which were unchanged.

Expenses

Salaries and benefits for fiscal year 2009 increased by \$1,150,000 for fiscal year 2009. One new physician and nurse practitioner began working at the clinic and increases have been given to retain employees and remain competitive with the market as well as a 5% cost of living raise which was given to all employees at the beginning of the fiscal year. Salaries and benefits increased by \$378,000 and \$29,000 for fiscal year ends 2008 and 2007, respectively.

Health insurance costs increased by \$21,000 for fiscal year 2009 after 3 successive years of decreases for fiscal years 2008 through 2006. Fiscal year 2009 was the first full year of retirement plan expenses as compared to fiscal year 2008 which only had three months worth of expense. The Medical Center began offering mobile MRI testing in January 2009 which added a new expense of \$19,500 for fiscal year 2009.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Expenses (Continued)

While the Medical Center continues to evaluate expenses and eliminate unnecessary costs, total expenses have increased in fiscal year 2009 due to rising costs of supplies and services in general. Insurance cost for fiscal year 2009 increased \$47,000 due to increased premiums and the additional malpractice insurance at the clinic for the new physician. Fiscal year 2008 insurance expense increased \$8,000 due to the normal yearly incremental insurance premium increases. Supplies and drugs increased by \$276,000 for fiscal year 2009 while the same expenses decreased \$24,000 in fiscal year 2008 and decreased \$13,000 in fiscal year 2007 due to the fluctuation of patient volume between the years.

Accounts Receivable

Table 7 below summarizes Accounts Receivable for the fiscal years ended March 31:

**TABLE 7
Accounts Receivable
(in thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Patient accounts receivable	\$ 10,656	\$ 8,955	\$ 8,353	\$ 6,784
Other accounts receivable	88	44	26	21
Allowance for uncollectibles	<u>(8,263)</u>	<u>(7,110)</u>	<u>(6,496)</u>	<u>(5,498)</u>
Net accounts receivable	\$ <u>2,481</u>	\$ <u>1,889</u>	\$ <u>1,883</u>	\$ <u>1,307</u>

Patient accounts receivable increased in fiscal years 2009 due to increased inpatient and outpatient volume and in 2008 and 2007 as patients were slower to pay their accounts while FY 2006 patient accounts receivable decreased.

**Hospital Service District No. 1 of Caldwell Parish, State of Louisiana
d/b/a Citizens Medical Center**

Management's Discussion and Analysis

Capital Assets

During 2009 fiscal year, the Medical Center added \$597,505 in buildings and equipment which included the clinic expansion.

**TABLE 8
Capital Assets
(in thousands)**

	Year Ended March 31, <u>2009</u>
Capital Assets/Additions	
Building & land	\$ 228,530
Equipment	163,311
Capital leases	<u>205,664</u>
Total capital additions	\$ <u>597,505</u>

Long-term Debt

The Medical Center entered into a \$206,000 capital lease to acquire a lab analyzer in fiscal year 2009. The Medical Center did not acquire any long-term debt in fiscal years 2008 or 2007. At March 31, 2009, the Medical Center had long-term debt of \$247,000 consisting of various capital leases. The largest leases are for the CAT scan equipment, PACS and newly acquired lab analyzer.

Contacting the Hospital's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Medical Center's Administration.

**LESTER, MILLER & WELLS***A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

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Independent Auditors' Report

To the Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

We have audited the accompanying financial statements of Hospital Service District No. 1, Parish of Caldwell (the Hospital), a component unit of the Caldwell Parish Police Jury, as of and for the years ended March 31, 2009, 2008, and 2007, as listed in the foregoing table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Service District No. 1, Parish of Caldwell, as of March 31, 2009, 2008, and 2007, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2009, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements.

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana
Page Two

Management's discussion and analysis on pages "i" through "ix" is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Lester, Miller & Wells

Certified Public Accountants
September 25, 2009



HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
BALANCE SHEETS
MARCH 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>			
Current			
Cash and cash equivalents (Notes 2 & 3)	\$ 852,544	\$ 660,800	\$ 1,082,641
Short-term investments	4,361,489	2,718,377	2,691,404
Accounts receivable, net of allowances for uncollectibles (Note 4)	2,481,124	1,889,425	1,882,766
Estimated third-party payor settlements	84,871	272,952	171,176
Inventory	309,516	296,707	263,521
Prepays	<u>132,242</u>	<u>115,875</u>	<u>83,641</u>
Total Current Assets	<u>8,221,786</u>	<u>5,954,136</u>	<u>6,175,149</u>
Assets limited as to use (Note 6)	65,124	65,124	145,879
Property, plant and equipment, net (Note 5)	3,491,839	3,342,465	3,207,616
Long-term investments	1,430,162	2,170,139	1,205,163
Note receivable	<u>239,316</u>	<u>151,053</u>	<u>32,465</u>
Total Assets	<u>\$ 13,448,227</u>	<u>\$ 11,682,917</u>	<u>\$ 10,766,272</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current			
Accounts payable	\$ 212,459	\$ 261,772	\$ 196,527
Accrued expenses	450,192	401,522	305,357
Deferred revenue	164,882	219,260	184,984
Estimated third-party payor settlements	374,578	360,815	454,858
Current portion of lease obligations and long-term debt (Note 8)	<u>152,399</u>	<u>112,946</u>	<u>129,634</u>
Total Current Liabilities	<u>1,354,510</u>	<u>1,356,315</u>	<u>1,271,360</u>
Long-term			
Capital lease obligations and notes payable (Note 8)	<u>246,578</u>	<u>217,530</u>	<u>330,476</u>
Total Liabilities	<u>1,601,088</u>	<u>1,573,845</u>	<u>1,601,836</u>
Net Assets			
Invested in capital assets, net of related debt	3,092,862	3,011,989	2,747,506
Restricted (Note 6)	65,124	65,124	278,703
Unrestricted	<u>8,689,153</u>	<u>7,031,959</u>	<u>6,138,227</u>
Total Net Assets	<u>11,847,139</u>	<u>10,109,072</u>	<u>9,164,436</u>
Total Liabilities and Net Assets	<u>\$ 13,448,227</u>	<u>\$ 11,682,917</u>	<u>\$ 10,766,272</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenues			
Net patient service revenue (Note 10)	\$ 9,866,862	\$ 7,206,703	\$ 7,380,337
Sales tax	931,043	1,023,823	1,120,546
Grant income	103,500	142,235	575,841
Other operating revenue	<u>62,734</u>	<u>74,143</u>	<u>71,396</u>
Total Revenues	<u>10,964,139</u>	<u>8,446,904</u>	<u>9,148,120</u>
Expenses			
Salaries	4,602,467	3,657,364	3,323,599
Benefits and payroll taxes	688,954	486,945	442,772
Supplies and drugs	1,092,301	816,279	839,935
Professional fees	1,280,187	1,076,229	1,026,265
Other expenses	1,065,656	982,488	888,416
Insurance	263,714	216,426	208,621
Depreciation and amortization	<u>448,131</u>	<u>443,540</u>	<u>400,822</u>
Total Expenses	<u>9,441,410</u>	<u>7,679,271</u>	<u>7,130,430</u>
Operating Income (Loss)	1,522,729	767,633	2,017,690
Nonoperating Income (Loss)			
Interest income	242,478	223,107	168,762
Interest expense	(27,170)	(27,712)	(35,883)
Gain (loss) on disposal of assets	<u>30</u>	<u>(18,392)</u>	<u>(2,249)</u>
Excess of Revenues (Expenses)	1,738,067	944,636	2,148,320
Beginning Net Assets	<u>10,109,072</u>	<u>9,164,436</u>	<u>7,016,116</u>
Ending Net Assets	\$ <u>11,847,139</u>	\$ <u>10,109,072</u>	\$ <u>9,164,436</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 9,422,629	\$ 7,038,501	\$ 6,729,741
Other receipts from operations	1,097,277	1,240,201	1,767,783
Cash payments for other operating expenses	(3,780,347)	(3,091,597)	(2,968,772)
Cash payments to employees and for employee-related costs	<u>(5,242,751)</u>	<u>(4,048,144)</u>	<u>(3,738,407)</u>
Net cash provided (used) by operating activities	<u>1,496,808</u>	<u>1,138,961</u>	<u>1,790,345</u>
Cash flows (to) from investing activities:			
Interest income	242,478	223,107	168,762
Loans made to physicians	(165,898)	(162,651)	-0-
Payments received from physician loans	77,635	-0-	-0-
Cash received (invested) in assets whose use is limited	-0-	80,755	(145,879)
Cash invested in certificates of deposit	<u>(903,135)</u>	<u>(991,949)</u>	<u>(898,107)</u>
Net cash provided (used) by investing activities	<u>(748,920)</u>	<u>(850,738)</u>	<u>(875,224)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(137,163)	(129,634)	(160,282)
Interest expense	(27,170)	(27,712)	(35,883)
Proceeds from sale of capital assets	30	21,672	(2,249)
Acquisition of capital assets	<u>(391,841)</u>	<u>(574,390)</u>	<u>(689,858)</u>
Net cash provided (used) by capital and related financing activities	<u>(556,144)</u>	<u>(710,064)</u>	<u>(888,272)</u>
Net increase (decrease) in cash and cash equivalents	191,744	(421,841)	26,849
Beginning cash and cash equivalents	<u>660,800</u>	<u>1,082,641</u>	<u>1,055,792</u>
Ending cash and cash equivalents	\$ <u>852,544</u>	\$ <u>660,800</u>	\$ <u>1,082,641</u>

See accompanying notes to financial statements.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
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STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED MARCH 31,

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>27,170</u>	\$ <u>27,712</u>	\$ <u>35,883</u>
Equipment acquired through capital lease agreement	\$ <u>205,664</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,522,729	\$ 767,633	\$ 2,017,690
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Depreciation and amortization	448,131	443,540	400,822
Change in current assets (increase) decrease			
Patient accounts receivable, net	(591,699)	(6,659)	(575,551)
Estimated third-party payor settlements	188,081	(101,776)	(107,825)
Inventory	(12,809)	(33,186)	(24,866)
Prepays	(16,367)	(32,234)	(1,213)
Change in current liabilities (increase) decrease			
Accounts payable	(49,313)	65,245	20,544
Accrued expenses	48,670	96,165	27,964
Deferred revenue	(54,378)	34,276	(26,094)
Estimated third-party payor settlements	<u>13,763</u>	<u>(94,043)</u>	<u>58,874</u>
Net cash provided (used) by operating activities	\$ <u>1,496,808</u>	\$ <u>1,138,961</u>	\$ <u>1,790,345</u>

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Caldwell Parish Hospital Service District No. 1 (the "Hospital" or the "District") was created by an ordinance of the Caldwell Parish Police Jury. The District is comprised of and embraces the territory contained within the Parish of Caldwell, State of Louisiana, as constituted as of the date of the ordinance.

The Hospital is a political subdivision of the Caldwell Parish Police Jury whose jurors are elected officials. The Hospital's commissioners are appointed by the Caldwell Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Caldwell Parish Police Jury is the financial reporting entity for the Hospital. Accordingly, the Hospital was determined to be a component unit of the Caldwell Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, rural health clinic, skilled nursing (through "swing-beds"), and acute inpatient services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guidance set forth in the Louisiana Governmental Audit Guide, and to the AICPA, Audit and Accounting Guide - Health Care Organizations, published by the American Institute of Certified Public Accountants, and standards set by the Governmental Accounting Standards Board (GASB), which is the accepted standard setting body for establishing governmental accounting and financial reporting principles in the United States of America.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and money market accounts and certificates of deposit with original maturities of ninety (90) days or less. Certificates of deposit with original maturities of ninety (90) days to one (1) year are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Credit Risk

The District provides medical care primarily to Caldwell Parish residents and grants credit to patients substantially all of whom are local residents.

The District's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians. These physicians admit over 90% of the Hospital's patients. The Hospital also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 10. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenues

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the Hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation.

HOSPITAL SERVICE DISTRICT NO. 1
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Plant, and Equipment

Property, plant, and equipment is recorded at cost for purchased assets or at fair market value on the date of any donation. The Hospital uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings and Improvements	5 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 20 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are currently credited or charged to nonoperating revenue.

Net Assets

Net assets of the Hospital consist of net assets invested in capital assets (property and equipment) net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and the outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Restricted net assets are those assets that are externally restricted by creditors, grantors, contributors, or laws and regulations, or those restricted by constitutional provisions and enabling legislation. Unrestricted net assets consist of all other assets. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use restricted resources first, then unrestricted resources as they are needed.

Revenues and Expenses

The Hospital's statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

NOTE 3 - DEPOSITS AND INVESTMENTS

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

As of March 31, 2009, the balances reported by financial institutions for cash totaled \$8,302,874. Of the total, \$685,368 was covered by federal depository insurance and \$7,617,506 was collateralized with securities held by the pledging bank in the District's name.

As of March 31, 2008, the balances reported by financial institutions for cash totaled \$5,757,188. Of the total, \$358,218 was covered by federal depository insurance and \$5,398,970 was collateralized with securities held by the pledging bank in the District's name.

As of March 31, 2007, the balances reported by financial institutions for cash totaled \$5,302,539. Of the total, \$429,861 was covered by federal depository insurance and \$4,872,678 was collateralized with securities held by the pledging bank in the District's name.

Custodial Credit Risks – Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at December 31, 2009, 2008, and 2007.

Interest Rate Risks – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Certificates of deposits with original maturities of over one (1) year are classified as long-term investments. The carrying amounts of deposits and investments are included in the Hospital's balance sheets as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Carrying amount			
Deposits	\$ 535,853	\$ 250,924	\$ 420,717
Investments	<u>6,173,466</u>	<u>5,363,516</u>	<u>4,704,370</u>
	<u>\$ 6,709,319</u>	<u>\$ 5,614,440</u>	<u>\$ 5,125,087</u>
Included in the following balance sheet captions			
Current assets			
Cash and cash equivalents	\$ 852,544	\$ 660,800	\$ 1,082,641
Short-term investments	4,361,489	2,718,377	2,691,404
Noncurrent cash and investments			
Long-term investments	1,430,162	2,170,139	1,205,163
Held for debt service	<u>65,124</u>	<u>65,124</u>	<u>145,879</u>
	<u>\$ 6,709,319</u>	<u>\$ 5,614,440</u>	<u>\$ 5,125,087</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable at March 31 is presented below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Patient accounts receivable	\$ 10,655,567	\$ 8,955,094	\$ 8,352,386
Other accounts receivable	<u>88,557</u>	<u>44,331</u>	<u>26,380</u>
	10,744,124	8,999,425	8,378,766
Estimated uncollectibles	<u>(8,263,000)</u>	<u>(7,110,000)</u>	<u>(6,496,000)</u>
Net patient accounts receivable	<u>\$ 2,481,124</u>	<u>\$ 1,889,425</u>	<u>\$ 1,882,766</u>

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NOTE 4 - ACCOUNTS RECEIVABLE (Continued)

The following is a mix of gross receivables from patients and third-party payors at March 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare	15%	13%	16%
Medicaid	4%	4%	3%
Commercial and other third-party payors	3%	3%	7%
Patients	<u>78%</u>	<u>80%</u>	<u>74%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT

The following is a summary of property, plant, and equipment and related accumulated depreciation at March 31:

	<u>2008</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2009</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	30,437	-0-	-0-	30,437
Buildings	4,543,256	228,530	-0-	4,771,786
Furniture and equipment	2,492,696	163,311	-0-	2,656,007
Property held under capital leases	<u>890,695</u>	<u>205,664</u>	<u>-0-</u>	<u>1,096,359</u>
Total	7,983,987	597,505	-0-	8,581,492
Accumulated depreciation	<u>4,641,522</u>	<u>448,131</u>	<u>-0-</u>	<u>5,089,653</u>
Net	\$ <u>3,342,465</u>	\$ <u>149,374</u>	\$ <u>-0-</u>	\$ <u>3,491,839</u>

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NOTE 5 - PROPERTY, PLANT, AND EQUIPMENT (Continued)

The following is a summary of property, plant, and equipment and related accumulated depreciation at March 31:

	<u>2007</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2008</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	30,437	-0-	-0-	30,437
Buildings	3,739,995	873,905	70,644	4,543,256
Furniture and equipment	2,496,893	245,973	250,170	2,492,696
Property held under capital leases	890,695	-0-	-0-	890,695
Construction in progress	<u>545,488</u>	<u>273,889</u>	<u>819,377</u>	<u>-0-</u>
Total	7,730,411	1,393,767	1,140,191	7,983,987
Accumulated depreciation	<u>4,522,795</u>	<u>398,451</u>	<u>279,724</u>	<u>4,641,522</u>
Net	\$ <u>3,207,616</u>	\$ <u>995,316</u>	\$ <u>860,467</u>	\$ <u>3,342,465</u>

The following is a summary of property, plant, and equipment and related accumulated depreciation at March 31:

	<u>2006</u>	<u>Additions</u>	<u>Dispositions</u>	<u>2007</u>
Land	\$ 26,903	\$ -0-	\$ -0-	\$ 26,903
Land improvements	29,701	736	-0-	30,437
Buildings	3,697,379	42,616	-0-	3,739,995
Furniture and equipment	2,304,508	198,163	5,778	2,496,893
Property held under capital leases	1,046,146	299,204	454,655	890,695
Construction in progress	<u>394,100</u>	<u>513,850</u>	<u>362,462</u>	<u>545,488</u>
Total	7,498,737	1,054,569	822,895	7,730,411
Accumulated depreciation	<u>4,595,667</u>	<u>385,312</u>	<u>458,184</u>	<u>4,522,795</u>
Net	\$ <u>2,903,070</u>	\$ <u>669,257</u>	\$ <u>364,711</u>	\$ <u>3,207,616</u>

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NOTE 6 - ASSETS LIMITED AS TO USE

The following assets are limited as to use as designated below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<u>Restricted by third-parties</u>			
State of Louisiana roof grant	\$ -0-	\$ -0-	\$ 213,579
Bond sinking fund	<u>65,124</u>	<u>65,124</u>	<u>65,124</u>
Total assets limited as to use	65,124	65,124	278,703
Less amounts required for current liabilities	<u>-0-</u>	<u>-0-</u>	<u>(132,824)</u>
Total assets limited as to use	\$ <u>65,124</u>	\$ <u>65,124</u>	\$ <u>145,879</u>

NOTE 7 - COMPENSATED ABSENCES

Employees of the Hospital are entitled to paid days off and sick days depending on length of service. The Hospital accrued \$204,755, \$195,895, and \$170,455 of vacation pay at March 31, 2009, 2008, and 2007. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The Hospital's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations, at March 31, follows:

	March 31, <u>2008</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2009</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>330,476</u>	\$ <u>205,664</u>	\$ <u>137,163</u>	\$ <u>398,977</u>	\$ <u>152,399</u>
	March 31, <u>2007</u>	<u>Additions</u>	<u>Payments</u>	March 31, <u>2008</u>	Due Within <u>One Year</u>
Capital lease obligations	\$ <u>460,110</u>	\$ <u>-0-</u>	\$ <u>129,634</u>	\$ <u>330,476</u>	\$ <u>112,946</u>

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NOTE 8 - LONG-TERM DEBT (Continued)

	<u>2006</u>	<u>Additions</u>	<u>Payments</u>	<u>2007</u>	<u>One Year</u>
Capital lease obligations	\$ <u>620,392</u>	\$ <u>-0-</u>	\$ <u>160,282</u>	\$ <u>460,110</u>	\$ <u>129,634</u>

The following are the terms and due dates of the Hospital's long-term debt at March 31:

- Various capital lease obligations at interest rates ranging from 5.23% to 12.00%, due in monthly installments through 2014 secured by leased equipment.

Minimum future lease payments under capital leases at March 31, 2009, and for each subsequent year in aggregate are provided below:

<u>Years Ending</u> <u>March 31,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 152,399	\$ 19,993
2011	140,000	10,619
2012	42,363	4,893
2013	44,798	2,458
2014	<u>19,417</u>	<u>273</u>
Total	\$ <u>398,977</u>	\$ <u>38,236</u>

Assets and liabilities under capital leases are recorded at the fair value of the asset. The assets are depreciated over their estimated productive lives. Depreciation of assets under capital leases in the amount of \$135,196 is included in depreciation expense. Net book value of capital leases is \$407,612, \$335,579, and \$476,218 in 2009, 2008, and 2007, respectively.

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NOTE 9 - OPERATING LEASES

Leases that do not meet the criteria for capitalization are classified as operating leases with related rental charged to operations as incurred. The following is a schedule by year of future minimum lease payments under operating leases as of March 31, 2009, that have initial or remaining lease terms in excess of one year.

Years Ending <u>March 31,</u>	<u>Amount</u>
2010	\$ <u>3,723</u>
Total minimum lease payments	\$ <u>3,723</u>

NOTE 10 - PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis, with a hold harmless provision for partial cost reimbursement for some of these services until December 31, 2009, if not extended by Congress. The hold harmless payments were \$79,693, \$103,563, and \$101,070 for the years ended March 31, 2009, 2008, and 2007, respectively. Swing bed routine services are reimbursed based on a prospectively determined rate per patient day based on clinical, diagnostic, and other factors.

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

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NOTE 10 - PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's net patient service revenue for the years ended March 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Gross patient service charges	\$ 16,972,580	\$ 13,516,555	\$ 13,106,737
Contractual adjustments	(6,269,647)	(5,568,817)	(5,001,197)
Provision for bad debts	(1,031,512)	(1,267,874)	(1,003,660)
Uncompensated cost reimbursement	728,181	867,222	829,107
Policy discounts and charity care (Note 14)	<u>(532,740)</u>	<u>(340,383)</u>	<u>(550,650)</u>
Net Patient Service Revenues	\$ <u>9,866,862</u>	\$ <u>7,206,703</u>	\$ <u>7,380,337</u>

The Hospital receives a substantial portion of its revenue from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended March 31:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Medicare and Medicaid gross patient charges	\$ 11,821,737	\$ 9,229,858	\$ 9,321,869
Contractual adjustments	<u>4,819,071</u>	<u>4,617,571</u>	<u>4,378,236</u>
Program Patient Service Revenue without Medicaid UCC	\$ <u>7,002,666</u>	\$ <u>4,612,287</u>	\$ <u>4,943,633</u>
Percent of total gross patient charges	<u>70%</u>	<u>68%</u>	<u>71%</u>
Percent of total net patient revenue	<u>71%</u>	<u>64%</u>	<u>67%</u>

The Hospital received interim amounts of \$728,181, \$867,222, and \$829,107, for Medicaid and self-pay uncompensated care services (UCC) for the years ended March 31, 2009, 2008, and 2007, respectively, which represents 7%, 12%, and 11% of net patient service revenue, respectively. The interim payments received are based upon uncompensated cost incurred in previous years. Current regulations limit UCC to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. The Hospital has made provisions for recoupment of \$361,000 for fiscal 2004. With the exception of 2004, management contends interim amounts paid reasonably estimate final settlement. To the extent management's estimates differ from actual results; the differences will be used to adjust income for the period when differences arise. Future UCC payments are dependent upon State appropriations, which require annual approval by the State legislature. Should the State not fund or substantially change this program, it would have a significant impact on the Hospital's revenue.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

NOTE 11 - PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the PCF, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

NOTE 12 - CONTINGENCIES

The Hospital evaluates contingencies based upon the best available evidence. The Hospital believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the Hospital's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 10) - The Hospital is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined.

Further, in order to continue receiving reimbursement from the Medicare program, the Hospital entered into an agreement with a government agent allowing the agent access to the Hospital's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the Hospital.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Professional Liability Risk (Note 11) - The Hospital is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Hospital's insurance carrier.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

NOTE 12 - CONTINGENCIES (Continued)

The Hospital also participates in the Louisiana Hospital Association Self-Insurance Employee Benefits Trust Fund. If the fund's assets are not adequate to cover the claims made against it, the Hospital will be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The Hospital has acquired stop-loss insurance to cover individual claims exceeding \$25,000 or aggregate claims exceeding \$1,000,000 per year.

NOTE 13 - RETIREMENT PLAN

Effective January 1, 2008, employees may participate in a qualified defined contribution retirement plan (exempt under Section 457(b) of the Internal Revenue Code). Each employee is eligible to contribute to the plan the first quarter after completing ninety (90) days of employment and reaching the age of 21. Employees are immediately 100% vested on contributions to the plan through a salary reduction agreement. In fiscal year 2009 and 2008, employees contributed \$196,149 and \$44,285, respectively.

Effective January 1, 2008, the Hospital began sponsoring a money purchase pension plan (exempt under Section 401(a) of the Internal Revenue Code). After one year of employment, the Hospital will contribute a 1% discretionary match of all participating eligible employees' salaries per pay period. In addition to this discretionary match, the Hospital contributes a match amount equal to the 457(b) employee deferral contribution up to a maximum of 5% of compensation for participating employees. The employee will be 100% vested after participating for three years. In fiscal year 2009 and 2008, the Hospital contributed \$161,980 and \$40,558, respectively.

Security Benefit administers the above plans. The Board of Commissioners adopted these plans and may change the terms of the plan to improve administration and can, at their discretion, increase or decrease the contribution percentages.

NOTE 14 - CHARITY CARE

The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy aggregated approximately \$285,527, \$124,165, and \$106,083, in 2009, 2008, and 2007, respectively. The costs related to the charity care charges are \$135,956, \$70,649, and \$57,756, in 2009, 2008, and 2007, respectively.

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

NOTE 15 - COMMISSIONERS

The following commissioners served Citizens Medical Center without compensation during the year ended March 31, 2009:

Ms. Barbara Davis
Mr. Tom D. Gay
Ms. Mary Norris
Mr. E. L. Richard
Mr. Bob Wallace

SUPPLEMENTARY INFORMATION

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Routine Services:			
Adult and pediatric	\$ 1,019,676	\$ 883,373	\$ 994,291
Swing bed	<u>61,200</u>	<u>22,500</u>	<u>27,600</u>
Total Routine Services	<u>1,080,876</u>	<u>905,873</u>	<u>1,021,891</u>
Other Professional Services:			
Operating room			
Inpatient	219,734	98,714	110,792
Outpatient	<u>575,557</u>	<u>385,765</u>	<u>247,212</u>
Total	<u>795,291</u>	<u>484,479</u>	<u>358,004</u>
Anesthesia			
Inpatient	113,525	54,850	59,860
Outpatient	<u>301,880</u>	<u>191,418</u>	<u>116,780</u>
Total	<u>415,405</u>	<u>246,268</u>	<u>176,640</u>
Radiology			
Inpatient	546,589	496,633	495,077
Outpatient	<u>2,110,445</u>	<u>1,622,753</u>	<u>1,663,747</u>
Total	<u>2,657,034</u>	<u>2,119,386</u>	<u>2,158,824</u>
Laboratory			
Inpatient	718,707	659,971	767,667
Outpatient	<u>2,434,066</u>	<u>2,134,596</u>	<u>1,959,994</u>
Total	<u>3,152,773</u>	<u>2,794,567</u>	<u>2,727,661</u>
IV solutions			
Inpatient	201,125	153,986	194,979
Outpatient	<u>56,313</u>	<u>35,272</u>	<u>32,669</u>
Total	\$ <u>257,438</u>	\$ <u>189,258</u>	\$ <u>227,648</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Respiratory therapy			
Inpatient	\$ 882,635	\$ 899,079	\$ 817,944
Outpatient	<u>201,314</u>	<u>144,365</u>	<u>112,463</u>
Total	<u>1,083,949</u>	<u>1,043,444</u>	<u>930,407</u>
EKG			
Inpatient	87,985	71,651	86,404
Outpatient	<u>228,043</u>	<u>163,431</u>	<u>143,300</u>
Total	<u>316,028</u>	<u>235,082</u>	<u>229,704</u>
Central supply			
Inpatient	640,582	458,662	518,354
Outpatient	<u>730,917</u>	<u>509,087</u>	<u>381,333</u>
Total	<u>1,371,499</u>	<u>967,749</u>	<u>899,687</u>
Pharmacy			
Inpatient	1,556,192	1,481,680	1,438,760
Outpatient	<u>579,099</u>	<u>435,867</u>	<u>395,679</u>
Total	<u>2,135,291</u>	<u>1,917,547</u>	<u>1,834,439</u>
Emergency room			
Inpatient	121,764	123,601	156,365
Outpatient	<u>1,276,052</u>	<u>1,071,432</u>	<u>1,125,099</u>
Total	<u>1,397,816</u>	<u>1,195,033</u>	<u>1,281,464</u>
Observation room			
Inpatient	5,278	2,684	4,109
Outpatient	<u>38,933</u>	<u>30,338</u>	<u>18,208</u>
Total	<u>\$ 44,211</u>	<u>\$ 33,022</u>	<u>\$ 22,317</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Rural health clinic			
Outpatient	\$ <u>2,182,994</u>	\$ <u>1,295,492</u>	\$ <u>1,147,346</u>
Hospitalist			
Inpatient	<u>81,975</u>	<u>89,355</u>	<u>90,705</u>
Total Other Professional Services	<u>15,891,704</u>	<u>12,610,682</u>	<u>12,084,846</u>
Gross Patient Service Charges	<u>16,972,580</u>	<u>13,516,555</u>	<u>13,106,737</u>
Contractual allowances	6,269,647	5,568,817	5,001,197
Provision for bad debts	1,031,512	1,267,874	1,003,660
Uncompensated cost reimbursement	(728,181)	(867,222)	(829,107)
Policy discounts and charity care	<u>532,740</u>	<u>340,383</u>	<u>550,650</u>
Total Allowances and Uncollectibles	<u>7,105,718</u>	<u>6,309,852</u>	<u>5,726,400</u>
Net Patient Service Revenue	\$ <u>9,866,862</u>	\$ <u>7,206,703</u>	\$ <u>7,380,337</u>

HOSPITAL SERVICE DISTRICT NO. 1
 OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
 d/b/a CITIZENS MEDICAL CENTER
 HOSPITAL ENTERPRISE FUND
 SCHEDULES OF OTHER OPERATING REVENUE
 YEARS ENDED MARCH 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Cafeteria sales	\$ 26,539	\$ 28,726	\$ 33,965
Physician office rentals	8,250	17,415	28,626
Medical records abstract fees	2,851	3,576	3,098
Miscellaneous	<u>25,094</u>	<u>24,426</u>	<u>5,707</u>
 Total Other Operating Revenue	 \$ <u>62,734</u>	 \$ <u>74,143</u>	 \$ <u>71,396</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF OPERATING EXPENSES – SALARIES AND BENEFITS
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Administrative and general	\$ 412,159	\$ 383,395	\$ 354,150
Plant operations and maintenance	92,317	77,700	75,489
Housekeeping	148,086	130,889	107,875
Dietary and cafeteria	140,307	119,507	104,807
Central supply	30,504	30,911	32,784
Pharmacy	162,240	148,690	139,672
Medical records	93,302	86,034	79,611
Nursing services	1,078,756	958,234	987,335
Operating room	171,273	127,367	123,702
Anesthesiology	2,400	2,400	2,400
Radiology	250,750	222,660	210,369
Laboratory	378,611	344,474	288,044
Respiratory care	128,066	122,470	117,642
Emergency room	208,730	217,704	192,685
Rural health clinic	<u>1,304,966</u>	<u>684,929</u>	<u>507,034</u>
 Total Salaries	 <u>4,602,467</u>	 <u>3,657,364</u>	 <u>3,323,599</u>
 Payroll taxes	 318,839	 259,015	 245,908
Health insurance	208,135	187,372	196,864
Retirement	<u>161,980</u>	<u>40,558</u>	<u>-0-</u>
 Total Benefits	 <u>688,954</u>	 <u>486,945</u>	 <u>442,772</u>
 Total Salaries and Benefits	 \$ <u>5,291,421</u>	 \$ <u>4,144,309</u>	 \$ <u>3,766,371</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF OPERATING EXPENSES – PROFESSIONAL FEES
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Nursing service	\$ 6,542	\$ -0-	\$ -0-
Anesthesiology	253,100	189,600	136,420
Radiology	65,748	36,970	47,113
Laboratory	135,483	106,379	90,766
EKG	18,346	14,914	16,155
Emergency room	<u>800,968</u>	<u>728,366</u>	<u>735,811</u>
 Total Professional Fees	 \$ <u>1,280,187</u>	 \$ <u>1,076,229</u>	 \$ <u>1,026,265</u>

HOSPITAL SERVICE DISTRICT NO. 1
OF THE PARISH OF CALDWELL, STATE OF LOUISIANA
d/b/a CITIZENS MEDICAL CENTER
HOSPITAL ENTERPRISE FUND
SCHEDULES OF OPERATING EXPENSES – OTHER EXPENSES
YEARS ENDED MARCH 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Miscellaneous service fees	\$ 123,430	\$ 120,319	\$ 107,823
Legal and accounting	58,948	62,494	47,369
Supplies	281,988	224,555	221,652
Repairs and maintenance	164,429	152,269	112,959
Utilities	172,046	157,216	157,881
Telephone	65,605	55,569	53,701
Travel	10,699	8,434	7,800
Rentals	22,025	65,260	53,197
Education	15,601	10,228	7,859
Dues and subscriptions	98,434	64,246	72,238
Recruitment and advertising	20,438	24,681	16,942
Miscellaneous	<u>32,013</u>	<u>37,217</u>	<u>28,995</u>
 Total Other Expenses	 \$ <u>1,065,656</u>	 \$ <u>982,488</u>	 \$ <u>888,416</u>

**LESTER, MILLER & WELLS***A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana

We have audited the financial statements of Hospital Service District No. 1, Parish of Caldwell, a component unit of the Caldwell Parish Police Jury, ("the Hospital") as of and for the years ended March 31, 2009, 2008, and 2007 and have issued our report thereon dated September 25, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hospital's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that

Board of Commissioners
Hospital Service District No. 1
Parish of Caldwell, State of Louisiana
Columbia, Louisiana
Page Two

a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We identified one deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above.

This report is intended solely for the information of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Lester, Miller & Wells

Certified Public Accountants
September 25, 2009



CITIZENS MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED MARCH 31, 2009

Current Year Findings

Internal Controls

2009-1

Finding: The allowances for Medicare accounts receivable were materially understated. While the Hospital has established a model for estimating allowances which should provide a good estimate, material differences can occur. Typically this occurs when a large volume of Medicare accounts are left unpaid at the end of the month.

Recommendation: We recommend establishing procedures to ensure accounts are filed timely and correctly. The timely filing of claims should be monitored by management on a monthly basis.

Management's response: Management will continue to monitor claims filing and evaluate the estimated allowance model. Management will continue to work with physicians to ensure charts are completed timely.

Resolution: This matter has not been resolved.

Prior Year Findings

Internal Controls

2007-1

Finding: In the past, the auditors were able to draft the financial statements with management accepting responsibility. Effective for financial statements ending on or after December 15, 2006, Statements on Auditing Standards 112 more definitively requires management ensure the propriety and completeness of the financial statements and related footnotes. The staff responsible for preparation of the financial statements and related footnote disclosures in accordance with generally accepted accounting principles (GAAP) lacks the knowledge and/or resources necessary to internally complete the reporting requirements.

Recommendation: Management should either: (a) obtain the knowledge and/or resources necessary to internally prepare or review the auditor's preparation of the Hospital's basic financial statements and related footnote disclosures in accordance with GAAP, or (b) determine if the cost of "a" overrides the benefit of correcting this control deficiency.

Management's response: Management has considered the recommendation and concluded that the implementation cost is greater than the benefit derived from correcting the control deficiency.

Resolution: This matter has not been resolved.

CITIZENS MEDICAL CENTER
AUDITORS' COMMENTS AND RECOMMENDATIONS
YEAR ENDED MARCH 31, 2009

Prior Years Findings (Continued)

2007-2

Finding: Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording, and custody functions.

Recommendation: We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related asset; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

Management's response: Management will continue to segregate duties as much as possible and will closely supervise and review duties to prevent errors.

Resolution: This matter has not been resolved.